

INDUSTRY UPDATE

Biweekly Period Ending February 10, 2001

Phoenix Metro Area

Manufacturing

To offset sluggish demand for its computer chips, **Motorola Corp.** announced it would **cut 4,000 positions** from its **Semiconductor Products Division**. The division employs 33,700 people worldwide, including 7,700 in the Phoenix metro area. Motorola **did not specify** the **number of Valley employees** who will be affected, but did say the cuts will be accomplished by ending contract and temporary jobs, and through voluntary and involuntary severance programs.

A Santa Clara, Calif. company that makes Internet-related products, **SONICblue Inc.**, has **purchased** Scottsdale-based **Sensory Science Corp.**, manufacturer of the first dual-deck VCR. Previously named Go Video, Sensory Science has been **cutting operations and staff** in recent months to offset mounting losses. Sensory Science, which now contracts with other companies to manufacture its products, employs about 80 people at its Scottsdale Airpark offices.

Jupiter, Fla.-based **Photronics Inc.** is **moving** its Valley **manufacturing and customer-service operations** into a new \$30 million facility at Phoenix Industrial Park. The high-tech company, which makes photomasks that transfer circuit patterns onto semiconductor wafers, expects to **add 50 workers** to its 80-person staff **over the next five years**.

Transportation, Communications, and Public Utilities

If land can be obtained next to or near its existing east Valley location, **United Parcel Service** will **expand its operations in Tempe**,

creating about 300 new positions. The shipping center's 700 employees currently process about 70,000 packages a day for the east Valley and Casa Grande. The \$42 million project, which includes expansion of its parking lot, could be affected by plans by Tempe to put a municipal court building and police substation on the site at 1975 E. Wildermuth Ave. UPS and Tempe officials plan to meet to work out a solution.

Trade

Intense competition from Home Depot and Lowe's is **forcing HomeBase to change its business** from focusing on home improvement **to home decorating**. The Irvine, Calif.-based chain is **closing all six of its Valley stores** over the next three months and will **reopen five** of them two months later as a **new business** called **House-to-Home**. **Each House-to-Home location**, which will be similar in concept to Sears Great Indoors stores, will **employ about 160 people**, about 40 more than a typical HomeBase. Current HomeBase employees will be laid off and have to reapply for House-to-Home positions.

Move over Osco and Walgreen's and make room for another competitor. Like the grocery store business several years ago, the Valley drug store business is becoming increasingly competitive. Rhode Island-based **CVS Corp.**, which has 4,100 stores in the East and Midwest, will **enter the Phoenix market with two stores in 2002**. If successful, the chain will "expand rapidly throughout the metro area," said an article in the *East Valley Tribune*. Like its rivals, a CVS store is about 10,000 square feet and offers food, photo, and pharmacy services. **Walgreen's** isn't phased by CVS' entrance, however, with **plans to add nearly 100 stores** to its current

157 **throughout Arizona** over the next four years (also see article in "Tucson Metro Area" below).

In a \$7 billion stock swap, **Phillips Petroleum Co.** will **purchase Tosco Corp.**, one of the nation's leading oil refiners and distributors and owner of Circle K convenience stores. The deal is **expected to lead to layoffs** at Tosco Marketing Co., a 1,200-employee subsidiary based in Tempe that runs Circle K stores. But the **combined company's** retail, marketing, and transportation **(RMT) operations** will be **moved to the east Valley city**, which is expected to increase overall employment in the Valley. Phillips, headquartered in Bartlesville, Okla., has 575 of its 2,800 corporate employees working in RMT operations. **No layoffs**, however, are expected at **Circle K stores**.

Finance, Insurance, and Real Estate

Bank of America will start a pilot program in Phoenix designed to **teach banking fundamentals to lower-income individuals, potentially leading to a job** in the industry. The financial services training program will begin in March and cover topics that include products and services offered at a bank, checking accounts, developing a budget, and cash management. At the end of the program, which can last one week (full-time) or two weeks (part-time), bank officials provide information about job opportunities. The program originally started two years ago as a welfare-to-work project designed to hire people in low-income categories.

Services

Two Tempe-based start-ups are facing the reality of having to quickly turn a profit in order to ward off impatient investors. The answer: layoffs. **NeoPlanet**, which makes customized Web browsers for clients, is **reducing its staff by nearly half** to about 60 as it fine-tunes its business model. The fledgling Internet software company will go from depending on advertising for income to licensing and selling its services. And

outsourcing firm **LeapSource**, which provides back-office services (e.g., finance, accounting) for businesses, is **cutting its workforce by 20 percent**, or 70 employees, as a way to get to profitability quicker. About **40 of the job cuts** will come from its **Valley operations**.

Choice Hotels International Inc. will **consolidate** its five North American **call-center operations** into three locations, **closing down its Phoenix center** and one of two Grand Junction, Colo. locations. No information was available on the number of jobs that will be lost locally.

Tucson Metro Area

Mining

Rising energy costs and low prices for a copper byproduct used to harden steel **may force Phelps Dodge Corp. to close its Sierrita copper and molybdenum mine** south of Tucson. Phoenix-based Phelps Dodge gave workers at the Sierrita mine and two mines in New Mexico 60-day's notice (required by the federal WARN law) that operations may shut down in March. The **closure would affect 740 workers in Arizona**. BHP Copper of Australia closed its San Manuel mine in June 1999, laying off about 2,500 workers, leaving the Tucson area with only two mining operations — Sierrita and Asarco's Mission mine.

Trade

Continued expansion by a market-leading drug store chain is among several highlights for the retail trade industry in the Old Pueblo. **Walgreen's**, which already has 33 drug stores in the Tucson area, plans to **add at least six more stores** (employing about 150 people) in the metro area in 2001. Walgreen's controls about 60 percent of the Tucson-area market, followed by Osco with 14 percent. ... A former Wal-Mart at 100 N. Pantano Road has been sold to **Sam Levitz Furniture**, which will **open its third furniture store** in Pima County. The building had been closed

since 1994, when Wal-Mart moved to a larger store at East Speedway and North Kolb Road. ... Tucson-based **Bookman's will open its third Tucson bookstore** and sixth statewide in July. The 24,500-square-foot facility at 6230 E. Speedway formerly was a Big 5 Sporting Goods store.

Services

Work has begun on a **\$65 million expansion** of the **Pascqua Yaqui Tribe's Casino of the Sun**, located about 15 miles southwest of Tucson on Valencia Road. The **first phase** of the 242,000-square-foot project, which will **open in September**, will include a 70,000-square-foot building that will be home to 500 slot machines, a 4,200-seat amphitheater, and a restaurant. **Phase Two**, which the tribe **expects** to be **completed in the fourth quarter of 2002**, will feature six restaurants, a child-care facility, and an arcade. The **final phase**, expected to **open in 2003**, will include a hotel and golf course. **Employment** at Casino of the Sun is **expected to double to near 1,000** when the entire project is complete.

Keane Inc. is **selling its 675-employee call center** to an unnamed company. The customer-service operation, which was taken over from Microsoft Corp. in 1997, **provides technical support** to major **software and hardware companies**. Keane is selling its call-center operations in Tucson and Washington state to focus on its primary business — business and technical consulting. No information on potential growth or layoffs was released.

What a difference a year can make. **Tucson Medical Center (TMC)**, which eliminated 300 jobs (265 through layoffs) in February 2000, is now **offering** up to \$3,000 in **bonuses** to employees who **bring in new non-management hires**. Job cuts and renegotiated insurance contracts put TMC on sounder financial ground, the hospital said.

Balance of State

Construction

New homes will begin sprouting up in April on 5,000 acres of **land northeast of Nogales** once owned by Hollywood actors Stewart Granger and Jean Simmons. **Up to 3,500 single-family homes** — ranging in price from \$69,000 to \$300,000 — will be constructed in the **Estancia Yerba Buena** development, which is tailoring the project to existing topography to leave unspoiled, as much as possible, existing oak trees and Sonoran grasslands. Estancia Yerba Buena, which will feature a 250-home village area with office and retail space and a school, will begin selling homes in May with a grand opening set for October.

Transportation, Communications, and Public Utilities

Construction will begin **in July** on **expansion** of Tucson's Electric Power's **Springerville Generating Station**. The utility's parent company, UniSource Energy Co., and Bechtel Power Corp. agreed on a plan to **increase from two to four** the number of 380-megawatt **coal-fired power units** at the station. Completion of the project is expected in 2004 or 2005.

Statewide

A Dallas-based **grocery wholesaler** will **close at least 12** of its **ABCO supermarkets** in Arizona, **laying off 700 workers**. The Fleming Cos., which will still own 29 ABCO stores in Arizona after the closures, will shut down **10 stores** in the **Phoenix area** and **two** in the **Tucson area** within the next three months. Fleming, which had previously announced it had sold 11 ABCO stores to Safeway (see Jan. 13, 2001, *Industry Update*), is trying to liquidate all of its ABCO properties. The stores being closed had received little interest from buyers.

Employees at **Honeywell's operations** in Tucson and Phoenix are **expecting the worst if General Electric Co.'s** planned \$45 billion **acquisition of Honeywell** receives government approval. A story in *Business Week* magazine said GE planned to cut 75,000 jobs, with up to 50,000 coming from Honeywell, according to an article in the *Arizona Daily Star*. Approximately 17,500 people are employed at Honeywell's operations in Arizona, with most based in the Phoenix area. Tucson's employees might fare the best because its aviation products are not made at any existing GE plants, said one industry analyst.

The **National Restaurant Association predicts a banner year** for Arizona's restaurants in terms of **sales and job growth**. Strong population growth will fuel 8.6 percent annual growth in sales and 3 percent annual growth in employment, the association predicts. A number of occupations — cooks, waiters/waitresses, dining room helpers, hosts — within the restaurant industry are among the fastest growing positions in the state.

In mid-January, the **Arizona Department of Commerce expanded enterprise zones** in Tucson and South Tucson and renewed zone status for three other Arizona government entities — Tempe, Benson, and all of Pinal County. Established by the Arizona Legislature in 1989, there are now 22 active enterprise zones. Zone status lasts for five years before a renewal process is needed. **To qualify** for an enterprise zone an **area must have an average poverty level of 150 percent of the Arizona poverty average**. Zone status provides **income tax credits** (up to \$3,000 per person over a three-year period) to non-retail businesses and **property tax reductions** for qualified manufacturing businesses. To qualify for the income-tax credit, 35 percent of a business' new employees must live within a county where the enterprise zone is located, and the business is required to pay an hourly wage above a specified level and contribute to 50 percent of an employee's health insurance costs. The

Commerce Department added 20 square miles — along the northern, western, and eastern city limits — to Tucson's existing 74-square-mile enterprise zone. Shortly after the expansion was made public, America Online announced it would add 80 employees to its call center operation in Tucson, with the potential for another 80 within a year (see Jan. 27, 2001, *Industry Update*). America Online's call center had previously been located outside Tucson's enterprise zone.

INDUSTRY UPDATE

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